

Message Text

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TO USMISSION OECD PARIS PRIORITY

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E.O. 11652: NA

TAGS: EFIN, OECD

SUBJECT: IC SPECIAL SESSION ON INWARD DIRECT INVESTMENT

REF: OECD PARIS 7281

1. RE QUESTION PARA 2 (A) REFTEL, TEXT ON US POLICY AND PRACTICE TOWARDSINWARD INVESTMENT IN PARA 3 REFTEL IS GENERALLY ACCURATE. HOWEVER WE WOULD MAKE FOLLOWING AMENDMENTS:

2. PARA 3A, FIRST LINE INSERT BETWEEN WORDS "DIRECT INVESTMENT," AND "DOES NOT, THE FOLLOWING:," "EXCEPT IN CERTAIN OF THE AREAS SPECIFIED UNDER "POLICY AND PRACTICE", (I.E., PARA 3 (B) REFTEL)

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3. PARA 3B, INSERT BETWEEN "COASTAL SHIPPING" AND

"HYDROELECTRIC POWER", THE FOLLOWING "..., LEASING OF
FEDERAL MINERAL LANDS, OWNING OF U.S. FLAG VESSELS OR
SHIPYARD FACILITIES..."

4. AMEND LAST SECTION OF PARA 3(B) TO READ AS FOLLOWS:
"IN THE FINANCIAL SECTOR THE RAPID EXPANSION OF FOREIGN
BANKING INSTITUTIONS (EITHER THROUGH THE OPENING OF
BRANCHES OR THROUGH TAKEOVER OF LOCAL ENTERPRISES) HAS

CAUSED SOME ANXIETY IN COMMERCIAL BANKING CIRCLES IN
SEVERAL STATES. THE DUAL BANKING SYSTEM IN THE UNITED
STATES AND THE INTERACTION OF FEDERAL AND STATE BANKING
LAWS MAY ALSO GIVE RISE TO MISUNDERSTANDINGS ON THE PART
OF FOREIGN INVESTORS DESIRING TO ESTABLISH BANKING
OPERATIONS IN THE UNITED STATES. THE PRINCIPAL AREAS
OF DIFFICULTY ARE IN MULTI-STATE BRANCHING AND THE SCOPE
OF FINANCIAL ACTIVITIES. THE OPERATIONS OF THE DUAL
BANKING SYSTEM IN THE UNITED STATES AND THE INTERACTION
OF FEDERAL AND STATE BANKING LAWS EFFECTIVELY PREVENT U.S.
BANKS FROM SETTING UP BRANCHES IN MORE THAN ONE STATE.
ALSO, FEDERAL LAW FORBIDS A COMBINATION OF COMMERCIAL AND
INVESTMENT BANKING AND CIRCUMSCRIBES OTHER FINANCIAL
ACTIVITIES BY COMMERCIAL BANKS. AT PRESENT, HOWEVER,
FOREIGN BANKS ARE PERMITTED TO ENGAGE IN MULTI-STATE
BRANCHING AND IN COMBINATIONS OF BANKING AND NON-
BANKING ACTIVITIES PROHIBITED TO US BANKS.

5. RE QUESTION PARA 2(B), THE US DOES NOT MAKE
DISTINCTIONS OR REFUSE AUTHORIZATIONS AS DESCRIBED IN THAT
SECTION.

6. STATEMENT OF US POLICY UNDER CMC WITH RESPECT TO
INWARD INVESTMENT, SIMILAR TO QUESTIONS POSED IN
DAF/INV (75) 15 PARA 5 SECTION 1, HAS BEEN POUCHED TO
TANNER. KISSINGER

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